

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 2529

ANSWERED ON MONDAY, 15th DECEMBER, 2025/ 24 AGRAHAYANA, 1947 (SAKA)

NPA of Public Sector Banks

†2529. SMT. DHANORKAR PRATIBHA SURESH:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that approximately 16 per cent of educational loans disbursed by public sector banks have become Non-Performing Assets (NPAs), if so, the State-wise statistics in this regard;
- (b) the reasons as to why NPA ratios are high in States like Maharashtra, Kerala and Tamil Nadu despite high loan disbursements and the details of the scheme being formulated by the Government to address the main causes of the said problem such as limited employment opportunities and high education fees;
- (c) whether the Government has issued any specific time-bound directives to major lenders such as SBI, PNB and Canara Bank for loan restructuring or NPA recovery to address the said issue; and
- (d) the new policy initiatives being taken by the Government to improve the education loan disbursement and recovery process in the future to ease the financial burden on students and reduce risk for banks?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SH. PANKAJ CHAUDHARY)

(a) to (b) As informed by Reserve Bank of India (RBI), in terms of outstanding education loans, the Gross Non-Performing Assets (NPA) of Public Sector Banks (PSBs) reduced from 7% in FY 2020-21 to 2% in FY 2024-25, thereby showing the significant improvement in asset quality of education loans over the years. The state-wise information in this regard is not maintained by the RBI.

(c) to (d) Credit related matters of regulated entities (REs) are largely deregulated and the same are governed by the Board approved loan policies of the REs framed under the ambit of relevant regulatory and statutory requirements and terms and conditions of the loan agreement between the borrower and the RE. RBI has advised the banks to put in place a Board approved loan policy and they shall take credit related decisions as per the said policy, subject to the guiding principles of regulations.

Further, RBI has taken several initiatives to improve recovery and to resolve incipient /established stress in banks including issuance of the Prudential Framework for Resolution of Stressed Assets under RBI (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 which is a principle-based framework and provides for early recognition and resolution of default in a time bound manner.

All Scheduled Commercial Banks (SCBs) have been advised by Reserve Bank of India (RBI) to adopt Model Education Loan Scheme (MELS), (last amended on 21.3.2024). The scheme inter alia provides need-based education loan and no collateral security or third-party guarantee is required for loans amount up to ₹ 7.50 lakhs, provided they are eligible for Central Sector Interest Subsidy Scheme (CSIS)/ Credit Guarantee Fund Scheme for Education loan (CGFSEL).

Public Sector Banks (PSBs) also provide collateral free loans beyond ₹ 7.50 lakhs, on case to case basis as per their Board approved policies.

Further, RBI *vide* circular RPCD.SME&NFS.BC.No. 69/06.12.05 /2009-10 dated April 12, 2010, on Collateral Free Loans - Educational Loan Scheme, has advised that banks must not, mandatorily, obtain collateral security in the case of educational loans upto ₹ 4 lakh.

Moreover, PM Vidyalaxmi scheme has been launched on 06.11.2024, which enables loans through banks to meritorious students so that financial constraints do not prevent any youth of India from pursuing quality higher education. The scheme facilitates and enables education loans to meritorious students who get admission in the top Quality Higher Educational Institutions (QHEIs) in the country and enables meritorious students of these QHEIs to take collateral free, guarantor free education loans through a simple, transparent, student-friendly application process.
